

**Cornerstone Counseling Center**

**Financial Statements**

**With Supplementary Information  
And  
Compliance Reports**

**Year Ended June 30, 2005**

**And**

**Independent Auditor's Report**

**SHAW & CO., P.C.**

Certified Public Accountants & Business Advisors

# Cornerstone Counseling Center

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# SHAW & CO., P.C.

Certified Public Accountants & Business Advisors

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cornerstone Counseling Center  
Salt Lake City, UT

We have audited the accompanying statement of financial position of Cornerstone Counseling Center (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year, summarized, comparative information has been derived from the Organization's June 30, 2004 financial statements and, in our report dated September 2, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cornerstone Counseling Center as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2005 on our consideration of Cornerstone Counseling Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Cornerstone Counseling Center taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Shaw & Co., P.C.

Bountiful, Utah  
September 28, 2005

**Cornerstone Counseling Center**  
**Statement of Financial Position**  
**June 30, 2005**  
**With Comparative Totals For June 30, 2004**

|                                       | <u>06/30/2005</u> | <u>06/30/2004</u> |
|---------------------------------------|-------------------|-------------------|
| <b>ASSETS</b>                         |                   |                   |
| Current assets                        |                   |                   |
| Cash and cash equivalents             | \$ 531,837        | \$ 390,550        |
| Accounts receivable                   | 387,526           | 281,931           |
| Prepaid expenses                      | <u>23,613</u>     | <u>49,958</u>     |
| Total current assets                  | <u>942,976</u>    | <u>722,439</u>    |
| Furniture and equipment, at cost      | 385,288           | 380,308           |
| Less accumulated depreciation         | <u>(345,403)</u>  | <u>(334,372)</u>  |
| Net furniture and equipment           | <u>39,885</u>     | <u>45,936</u>     |
| Total assets                          | <u>\$ 982,861</u> | <u>\$ 768,375</u> |
| <br><b>LIABILITIES AND NET ASSETS</b> |                   |                   |
| Current liabilities                   |                   |                   |
| Accounts payable                      | \$ 95,919         | \$ 108,645        |
| Accrued payroll and payroll taxes     | 65,067            | 39,143            |
| Accrued vacation payable              | 51,776            | 47,218            |
| Reserve for unemployment compensation | <u>25,000</u>     | <u>17,553</u>     |
| Total current liabilities             | <u>237,762</u>    | <u>212,559</u>    |
| Net assets                            |                   |                   |
| Unrestricted                          | 631,779           | 470,816           |
| Temporarily restricted                | 113,320           | 85,000            |
| Permanently restricted                | <u>-</u>          | <u>-</u>          |
| Total net assets                      | <u>745,099</u>    | <u>555,816</u>    |
| Total liabilities and net assets      | <u>\$ 982,861</u> | <u>\$ 768,375</u> |

See accompanying notes to financial statements.

**Cornerstone Counseling Center**  
**Statement of Activities**  
**Year Ended June 30, 2005**  
**With Comparative Totals For The Year Ended June 30, 2004**

|   | 06/30/2005        |                           |                           | 06/30/2005        | 06/30/2004        |
|---|-------------------|---------------------------|---------------------------|-------------------|-------------------|
|   | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total             | Total             |
| <b>SUPPORT AND REVENUE</b>                  |                   |                           |                           |                   |                   |
| Support                                     |                   |                           |                           |                   |                   |
| Salt Lake County - State<br>& County awards | \$ 840,499        | \$ -                      | \$ -                      | \$ 840,499        | \$ 569,821        |
| Salt Lake County -<br>Federal Awards        | 756,630           | -                         | -                         | 756,630           | 1,101,080         |
| United Way                                  | 278,158           | -                         | -                         | 278,158           | 267,561           |
| Utah Division of Child<br>& Family Services | 247,767           | -                         | -                         | 247,767           | 299,762           |
| VOCA Grant                                  | 41,371            | -                         | -                         | 41,371            | 42,145            |
| Utah Dept. of Health -<br>Federal Award     | 15,000            | -                         | -                         | 15,000            | -                 |
| Total support                               | <u>2,179,425</u>  | <u>-</u>                  | <u>-</u>                  | <u>2,179,425</u>  | <u>2,280,369</u>  |
| Revenue                                     |                   |                           |                           |                   |                   |
| Medicaid reimbursements                     | 298,193           | -                         | -                         | 298,193           | 278,823           |
| Contributions                               | 32,228            | 181,640                   | -                         | 213,868           | 107,692           |
| Client fees                                 | 113,563           | -                         | -                         | 113,563           | 87,954            |
| Insurance<br>reimbursements                 | 52,370            | -                         | -                         | 52,370            | 49,636            |
| Utah Dept. of Workforce<br>Services         | 17,633            | -                         | -                         | 17,633            | 14,296            |
| Crime Victims<br>Reparations                | 10,079            | -                         | -                         | 10,079            | 29,363            |
| Other revenue                               | 2,370             | -                         | -                         | 2,370             | 11,763            |
| Interest income                             | 9,843             | -                         | -                         | 9,843             | 3,633             |
| Donated services                            | 1,380             | -                         | -                         | 1,380             | 3,137             |
| Net assets released<br>from restrictions    | 153,320           | (153,320)                 | -                         | -                 | -                 |
| Total revenue                               | <u>690,979</u>    | <u>28,320</u>             | <u>-</u>                  | <u>719,299</u>    | <u>586,297</u>    |
| Total support and<br>revenue                | <u>2,870,404</u>  | <u>28,320</u>             | <u>-</u>                  | <u>2,898,724</u>  | <u>2,866,666</u>  |
| <b>EXPENSES</b>                             |                   |                           |                           |                   |                   |
| Program services                            | 2,340,796         | -                         | -                         | 2,340,796         | 2,409,740         |
| Management and general                      | 231,745           | -                         | -                         | 231,745           | 254,985           |
| Fundraising / development                   | 136,900           | -                         | -                         | 136,900           | 164,110           |
| Total expenses                              | <u>2,709,441</u>  | <u>-</u>                  | <u>-</u>                  | <u>2,709,441</u>  | <u>2,828,835</u>  |
| Change in net assets                        | 160,963           | 28,320                    | -                         | 189,283           | 37,831            |
| Net assets, beginning of year               | <u>470,816</u>    | <u>85,000</u>             | <u>-</u>                  | <u>555,816</u>    | <u>517,985</u>    |
| Net assets, end of year                     | <u>\$ 631,779</u> | <u>\$ 113,320</u>         | <u>\$ -</u>               | <u>\$ 745,099</u> | <u>\$ 555,816</u> |

See accompanying notes to financial statements.

**Cornerstone Counseling Center**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2005**  
**With Comparative Totals For The Year Ended June 30, 2004**

|                                     | 06/30/2005          |                           |                              | 06/30/2005   | 06/30/2004   |
|-------------------------------------|---------------------|---------------------------|------------------------------|--------------|--------------|
|                                     | Program<br>Services | Management<br>and General | Fundraising /<br>Development | Total        | Total        |
| Salaries                            | \$ 1,321,691        | \$ 120,062                | \$ 75,608                    | \$ 1,517,361 | \$ 1,600,279 |
| Payroll taxes                       | 97,034              | 6,499                     | 8,792                        | 112,325      | 116,336      |
| Employee benefits                   | 193,676             | 16,216                    | 7,448                        | 217,340      | 201,141      |
| Total salaries and related expenses | 1,612,401           | 142,777                   | 91,848                       | 1,847,026    | 1,917,756    |
| Rent                                | 263,786             | 27,484                    | 7,468                        | 298,738      | 311,464      |
| Consulting fees                     | 219,901             | 1,461                     | 4,496                        | 225,858      | 200,998      |
| Office and program supplies         | 44,041              | 3,471                     | 647                          | 48,159       | 62,760       |
| Temporary staffing                  | 28,825              | 10,675                    | 1,603                        | 41,103       | 69,998       |
| Travel and meals                    | 29,988              | 5,874                     | 263                          | 36,125       | 46,518       |
| Repairs and maintenance             | 27,236              | 4,648                     | 896                          | 32,780       | 35,766       |
| Insurance                           | 19,675              | 6,798                     | 196                          | 26,669       | 25,982       |
| Telephone                           | 19,876              | 2,319                     | 281                          | 22,476       | 22,595       |
| Other                               | 18,199              | 3,725                     | 305                          | 22,229       | 7,662        |
| Advertising                         | 2,714               | -                         | 17,498                       | 20,212       | 19,068       |
| Printing and postage                | 9,250               | 2,624                     | 8,108                        | 19,982       | 20,657       |
| Equipment and furniture             | 6,370               | 6,002                     | 2,244                        | 14,616       | 32,129       |
| Conferences and workshops           | 10,000              | 1,757                     | 335                          | 12,092       | 12,327       |
| Recruitment                         | 6,446               | 1,997                     | -                            | 8,443        | 2,923        |
| Outside services                    | 7,426               | 637                       | 292                          | 8,355        | 9,005        |
| Audit                               | -                   | 7,700                     | -                            | 7,700        | 7,303        |
| Publications and subscriptions      | 4,917               | 798                       | 132                          | 5,847        | 5,395        |
| Total expenses before depreciation  | 2,331,051           | 230,747                   | 136,612                      | 2,698,410    | 2,810,306    |
| Depreciation                        | 9,745               | 998                       | 288                          | 11,031       | 18,529       |
| Total functional expenses           | \$ 2,340,796        | \$ 231,745                | \$ 136,900                   | \$ 2,709,441 | \$ 2,828,835 |

See accompanying notes to financial statements.

**Cornerstone Counseling Center**  
**Statement of Cash Flows**  
**Year Ended June 30, 2005**  
**With Comparative Totals For The Year Ended June 30, 2004**

|   | <u>06/30/2005</u> | <u>06/30/2004</u> |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                   |
| Change in net assets  |                   |                   |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | \$ 189,283        | \$ 37,831         |
| Depreciation  | 11,031            | 18,529            |
| Changes in current assets and liabilities:  |                   |                   |
| Accounts receivable   | (105,595)         | (40,810)          |
| Prepaid expenses  | 26,345            | (27,847)          |
| Accounts payable  | (12,726)          | 32,988            |
| Checks drawn in excess of cash  | -                 | (28,641)          |
| Accrued payroll and payroll taxes   | 25,924            | 30,343            |
| Accrued vacation  | 4,558             | (1,732)           |
| Unemployment compensation   | <u>7,448</u>      | <u>(5,182)</u>    |
| Net cash provided by operating activities   | <u>146,268</u>    | <u>15,479</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                   |
| Purchases of fixed assets   | <u>(4,981)</u>    | <u>(1,873)</u>    |
| Net cash (used in) investing activities   | <u>(4,981)</u>    | <u>(1,873)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   | <u>-</u>          | <u>-</u>          |
| Net change in cash  | 141,287           | 13,606            |
| Cash and cash equivalents, beginning of year  | <u>390,550</u>    | <u>376,944</u>    |
| Cash and cash equivalents, end of year  | <u>\$ 531,837</u> | <u>\$ 390,550</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>                                     |                   |                   |
| Cash paid for interest  | \$ -              | \$ -              |
| Cash paid for taxes   | \$ -              | \$ -              |

See accompanying notes to financial statements.

# Cornerstone Counseling Center

## Notes to Financial Statements

June 30, 2005

### 1. ORGANIZATION AND NATURE OF ACTIVITIES

Cornerstone Counseling Center (the "Organization") was incorporated under the laws of the State of Utah as a nonprofit organization on October 14, 1968. The Organization's mission statement is to provide professional mental health treatment and prevention services which promote enduring improvements in the social and emotional well-being of individuals and families in our community, by specializing in the reduction of substance abuse and violence. Majority of revenue is received from grants, contributions and fees for services.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis. The Organization follows the provisions of Statements of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations" and SFAS No. 116, "Accounting for Contributions Received and Contributions Made."

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

#### Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.
- b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.
- c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Government Funding

Funding from all government sources is considered to be unrestricted as long as it is expended under contract guidelines and is expended in the period for which it is contracted.

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restrictions ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2005.

Fixed Assets

Fixed assets are stated at cost, or if acquired by gift, at estimated fair value at the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from five to ten years. The Organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$1,000. Depreciation expense for the year ended June 30, 2005 was \$11,031.

Concentrations of Credit Risks

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. As of June 30, 2005, the Organization had \$412,603 of uninsured cash balances. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Organization receives a significant amount of its funding from government sources. Decreases in this government support would have an adverse effect upon the Organization.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2005, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

Donated Services

The Organization receives donated services from unpaid volunteers who assist with special projects. Certain amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have been satisfied. Total donated services for the year ended June 30, 2005 was \$1,380.

Reclassifications

Certain items from June 30, 2004 have been reclassified to conform to the June 30, 2005 presentation.

Notes (continued)

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at June 30, 2005:

|  |                   |
|--|-------------------|
| Salt Lake County                           | \$ 280,925        |
| Salt Lake County, SICA (pass-through)      | 60,000            |
| Utah Division of Child and Family Services | 20,647            |
| Utah State Tax Commission - Sales tax      | 330               |
| Victims of Crime Act                       | 25,279            |
| Other                                      | <u>345</u>        |
|  | <u>\$ 387,526</u> |

**4. RETIREMENT PLAN**

The Organization has a 401(k) retirement plan which covers employees who have attained 21 years of age and completed one year of service. The Organization matches up to 100% of the first 3% deferred by employees. Retirement plan expense for the year ended June 30, 2005 was \$25,740.

**5. AGENCY TRANSACTION**

The Organization acts as a an intermediary in billing and passing certain grant funds received from Salt Lake County to other non-affiliated non-profits. This arrangement has been dictated through a contract with Salt Lake County. The amount of funds billed and passed through to these non-profits for the year ended June 30, 2005 was \$60,000.

**6. COMMITMENTS AND CONTINGENCIES**

The Organization has lease agreements for office space which are treated as operating leases for accounting purposes. The Salt Lake office lease expires in February 2008 and requires monthly lease payments of \$24,694. The West Valley office lease expired in August 2004 and the office closed. The Salt Lake lease contains an escalation clause of 3% each year.

The following is a schedule of future minimum lease payments that the Organization is obligated to pay:

| <u>Year Ended June 30,</u> | <u>Total</u>      |
|----------------------------|-------------------|
| 2006                       | \$ 299,297        |
| 2007                       | 308,276           |
| 2008                       | <u>209,587</u>    |
| Total                      | <u>\$ 817,160</u> |

Rent expense for the year ended June 30, 2005 was \$298,738.

**7. RESERVE FOR UNEMPLOYMENT COMPENSATION**

The Organization self-funds its potential liability for unemployment compensation expense. The Organization maintains an accrual for its self-funded unemployment insurance. Unemployment insurance accrual for the year ended June 30, 2005 was \$25,000.

Notes (continued)

**8. PRIOR YEAR INFORMATION**

The financial statements for the year ended June 30, 2004 are presented for comparative purposes only. The notes presented herein contain information regarding June 30, 2005. Please refer to the June 30, 2004 audited financial statements for information regarding the notes for that year.

**SUPPLEMENTARY INFORMATION**  
**AND**  
**COMPLIANCE REPORTS**

**Cornerstone Counseling Center**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2005**

| <u>Grant Title</u>  | <u>Federal<br/>CFDA<br/>Number</u> | <u>Award<br/>Expenditures</u> |
|---|------------------------------------|-------------------------------|
| <u>U.S. Department of Health and Human Services</u>                             |                                    |                               |
| Passed through the Salt Lake County Alcoholism and Drug Abuse Services Division |                                    |                               |
| Substance abuse treatment and prevention  | 93.959                             | \$ 420,387                    |
| Substance abuse special funding   | 93.959                             | 23,200                        |
| Substance abuse prevention  | 93.959                             | 253,043                       |
| Substance abuse SICA  | 93.230                             | <u>60,000</u>                 |
| Total U.S. Department of Health and Human Services                              |                                    | <u>756,630</u>                |
| <u>U.S. Department of Justice</u>   |                                    |                               |
| Passed through the State of Utah Office of Crime Victim Reparations             |                                    |                               |
| VOCA  | 16.575                             | <u>41,371</u>                 |
| Total U.S. Department of Justice  |                                    | <u>41,371</u>                 |
| <u>U.S. Centers for Disease Control and Prevention</u>                          |                                    |                               |
| Passed through the State of Utah, Utah Department of Health                     |                                    |                               |
| HIV Prevention Project U62/CCU823496  | 93.940                             | <u>15,000</u>                 |
| Total U.S. Center for Disease Control and Prevention                            |                                    | <u>15,000</u>                 |
| Total expenditures of federal awards  |                                    | <u>\$ 813,001</u>             |

**Note 1 - Basis of Accounting**

The supplementary schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Grant expenditures are recognized as funds are spent or accrued. The information in this schedule is prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2 - Pass-Through Awards**

The Organization receives certain federal financial assistance from pass-through awards. The total federal financial assistance from pass-through awards is noted above.

**Cornerstone Counseling Center**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2005**

**Summary of Auditors' Results**

1. We issued an unqualified opinion in our report on the financial statements of Cornerstone Counseling Center for the year ended June 30, 2005.
2. The results of our audit tests disclosed no instances of noncompliance which were considered material to the financial statements.
3. We issued an unqualified opinion in our report on compliance for major programs for the year ended June 30, 2005.
4. The results of our audit disclosed no audit findings which we are required to report.
5. The major program of Cornerstone Counseling Center for the year ended June 30, 2005 is as follows:

|  |             |        |
|--|-------------|--------|
| Substance Abuse Treatment and Prevention | CFDA Number | 93.959 |
|--|-------------|--------|
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. Cornerstone Counseling Center did qualify as a low-risk auditee.

**Findings Related To The Financial Statements**

None

**Findings and Questioned Costs for Federal Awards**

None

**Findings of Prior Audit - Year Ended June 30, 2004**

There were no findings reported for the year ended June 30, 2004. Therefore, there are no outstanding resolution matters relating to major federal programs.

# SHAW & CO., P.C.

Certified Public Accountants & Business Advisors

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors  
Cornerstone Counseling Center  
Salt Lake City, UT

We have audited the financial statements of Cornerstone Counseling Center (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Cornerstone Counseling Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cornerstone Counseling Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Shaw & Co., P.C.

Bountiful, Utah  
September 28, 2005

# SHAW & CO., P.C.

Certified Public Accountants & Business Advisors

## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors  
Cornerstone Counseling Center  
Salt Lake City, UT

### Compliance

We have audited the compliance of Cornerstone Counseling Center (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2005. Cornerstone Counseling Center's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Cornerstone Counseling Center's management. Our responsibility is to express an opinion of Cornerstone Counseling Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cornerstone Counseling Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cornerstone Counseling Center's compliance with those requirements.

In our opinion, Cornerstone Counseling Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

The management of Cornerstone Counseling Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Cornerstone Counseling Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Shaw & Co., P.C.*

Bountiful, Utah  
September 28, 2005

# SHAW & CO., P.C.

Certified Public Accountants & Business Advisors

## REPORT ON COMPLIANCE WITH STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

The Board of Directors  
Cornerstone Counseling Center  
Salt Lake City, Utah

We have audited the financial statements of Cornerstone Counseling Center (a nonprofit organization) for the year ended June 30, 2005 and have issued our report thereon dated September 28, 2005. As part of our audit, we have audited the Organization's compliance with the requirements governing activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting that are applicable to each of its major State award programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The Organization received the following major State assistance awards from the State of Utah:

Domestic Violence Treatment (Utah Department of Human Services – Division of Child & Family Services)  
Substance Abuse Treatment (Utah Department of Human Services – Salt Lake County)  
Substance Abuse Prevention (Utah Department of Human Services – Salt Lake County)

Cornerstone Counseling Center also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of Cornerstone Counseling Center's financial statements.)

Witness for Domestic Violence (Utah Department of Human Services – Division of Child & Family Services)  
State Supervision (Utah Department of Human Services – Salt Lake County)  
CAIO (Utah Department of Human Services – Salt Lake County)  
Juvenile Justice (Utah Department of Human Services – Salt Lake County)  
Family Drug Court (Utah Department of Human Services – Salt Lake County)  
Felony Drug Court (Utah Department of Human Services – Salt Lake County)  
ZAPP (Utah Department of Human Services – Salt Lake County)  
Going Home (Utah Department of Human Services – Salt Lake County)

The management of Cornerstone Counseling Center is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Cornerstone Counseling Center's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Cornerstone Counseling Center complied, in all material respects, with the requirements governing activities allowed or unallowed, allowable costs/cost principles, eligibility, and reporting that are applicable to its major State award programs for the year ended June 30, 2005.

*Shaw & Co., P.C.*

Bountiful, Utah  
September 28, 2005

# SHAW & CO., P.C.

Certified Public Accountants & Business Advisors

September 28, 2005

To the Board of Directors  
Cornerstone Counseling Center  
Salt Lake City, UT

We have audited the financial statements of Cornerstone Counseling Center for the year ended June 30, 2005, and have issued our report thereon dated September 28, 2005. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated July 18, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Cornerstone Counseling Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Cornerstone Counseling Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Cornerstone Counseling Center's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Cornerstone Counseling Center's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination of Cornerstone Counseling Center's compliance with those requirements.

## Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cornerstone Counseling Center are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2005. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Organization that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Organization's financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements of the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Audit Committee, Board of Directors and management of Cornerstone Counseling Center and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Shaw & Co., P.C.*

SHAW & CO., P.C.

# SHAW & CO., P.C.

Certified Public Accountants & Business Advisors

September 28, 2005

The Board of Directors  
Cornerstone Counseling Center

In connection with our audit of the financial statements of Cornerstone Counseling Center for the year ended June 30, 2005, we reviewed the internal controls over financial reporting and compliance. We did not have any findings or recommendations for Cornerstone Counseling Center for the year ended June 30, 2005. We commend the Organization and its personnel for their ongoing commitment to improve the Organization's internal control system and also for the controls developed over client information.

Yours very truly,

*Shaw & Co., P.C.*

SHAW & CO., P.C.